
# Bralorne Oil & Gas Limited

# Bralorne Oil & Gas Limited

(a subsidiary of Bralorne Pioneer Mines Limited)

*Incorporated under the laws of the Province of Alberta*
*Capital: 5,000,000 Shares without Nominal or Par Value*

## Directors

Douglas A. Berlis, Q.C., Toronto, Ontario
*Partner*, Edison, Aird & Berlis

C. A. Burns, Toronto, Ontario
*President*, C. A. Burns Consulting Limited
*President*, Can-Fer Mines Limited

George H. Davenport, Vancouver, British Columbia
*President*, Bralorne Pioneer Mines Limited

Harry Dernick, Calgary, Alberta
*President*, Bralorne Oil & Gas Limited

Robert H. Heim, New York, New York
*Vice-Chairman of the Board*, Schroeder, Rockefeller & Co. Inc.

John L. Kemmerer, Jr., New York, New York
*President*, Whitney & Kemmerer, Inc.

Paul Porzelt, New York, New York
*Partner*, Emanuel, Deetjen & Co.
*Chairman of the Board*, Can-Fer Mines Limited

## Officers

George H. Davenport, *Chairman of the Board*

Harry Dernick, *President*

Thomas F. Griffin, C.A., *Treasurer*

Peter G. Wiseman, *Secretary*

## Auditors

Price Waterhouse & Co.
Calgary, Alberta

## Transfer Agent & Registrar

The Royal Trust Company
Calgary, Toronto and Vancouver

## Registered Office

736 - 8th Avenue S.W.,
Calgary, Alberta

## Wholly-Owned Subsidiary Company

Bralorne Petroleums Ltd.
Winnipeg, Manitoba

# Bralorne Oil & Gas Limited

## Report to the shareholders:

The directors are pleased to review the activities of your company in this report which includes consolidated financial statements for the year ended December 31, 1968.

Gross revenue for the year increased to $540,990 from $523,487 in 1967 and net operating income increased to $212,152 from $206,579. After allowances for depletion and depreciation totalling $230,127 and provision in full for mining exploration expenditures of $36,087, the net loss for the year aggregated $54,062.

Average daily rates of production amounted to 475 net barrels of oil and 1.9 million cubic feet of natural gas. This represents an annual total net production of 173,328 barrels of oil and 707 million cubic feet of natural gas.

Net reserves at the year end amounted to 1,159,000 barrels of oil and 20 billion cubic feet of natural gas.

The company continued its high rate of drilling and exploration activity. A total of 26 wells were participated in during 1968. Eleven of these resulted in oil wells, four resulted in gas wells and one was completed as a service well.

It is planned to intensify our exploration efforts in 1969. At the same time, the company will endeavour to acquire producing properties and proven reserve parcels in western Canada, in order to increase the present reserve position as well as improve the cash flow.

Regarding our exploration commitments, an involvement of prime interest is the Hudson Bay-James Bay area where the company holds a 10% interest in 10,253,961 acres of exploration permits. The results obtained so far in this exploration program are most encouraging and have warranted the continuation of studies and testing of this area.

During the year the company participated with Can-Fer Mines Limited, Pacific Petroleums Ltd. and Bralorne Pioneer Mines Limited in mineral exploration projects carried out in several areas of Canada. The company's participation is at a time when many petroleum firms are diversifying their exploration activities into mineral search efforts. The general review of the company's exploration and development programs covers this involvement in more detail.

The directors are pleased to announce the appointment of Mr. Harry Dernick to the position of President and Chief Executive Officer, effective March 1, 1969. Mr. Dernick, a native of Saskatchewan, attended the University of Oklahoma where he graduated with a B.Sc. in petroleum engineering. After serving in the Royal Canadian Air Force, Mr. Dernick held various operating and management positions in the Gulf Coast and mid-continent regions. From 1960 to 1968, he was vice-president of Camerina Petroleum Corporation in charge of Canadian operations.

The directors and I extend our appreciation to Bralorne staff members who have diligently devoted their time to the affairs of the company.

On behalf of the Board,

G H Davenport

George H. Davenport,
*Chairman*

# General Review of Exploration and Development

DRILLING

The company participated in the drilling of 26 wells in western Canada during 1968. Eleven oil wells, four gas wells and one service well were successfully completed and resulted in the equivalent of a 100% interest in 2.2 net oil wells and 0.31 net gas wells to the company.

PRODUCTION

Production during 1968, after payment of all royalties, amounted to 173,328 barrels of oil and 707 million cubic feet of natural gas. As at December 31, 1968, the company held varying working interests in 48 gross wells equivalent to a 100% interest in 38.24 net oil wells and 0.47 net gas wells.

In addition, interests were held in the following units:

Virden Roselea Unit #1, 0.94070%;
Virden Roselea Unit #2, 11.95841%;
Virden Roselea Unit #3, 1.15535%;
Gleneath Unit, 0.64592%;
Joffre Unit, 1.47298%;
Ghost Pine Unit, 0.71626%;
Wayne Rosedale, 18.08790%;
West Provost, 9.66693%.

Early in May, 1969 your company's interest in the West Provost Unit (9.66693%) was sold with effect from January 1, 1969.

SOUTHERN ALBERTA

During 1968 southern Alberta was the most active single area in the company's drilling program. Of the nine wells drilled in the Milk River area and the three wells drilled in the Hays-Grand Forks area, four were completed as producing oil wells, including one exploratory discovery well in the Hays area, one as a shut-in gas well and one as a service well.

There are plans for further development drilling in the Hays area. Studies have been carried out with regard to a proposed waterflood program in the Milk River area which should be consummated during the early part of 1969. The resulting increased allowable will substantially raise the company's production from this field.

MANITOBA

The company's main source of oil production is the general Virden area in which it has a total of 50 gross wells. Of these wells ten fall within established units. Four infill wells were successfully completed during the past year and further development drilling is anticipated during the forthcoming year.

Discussions have recently taken place with regard to the establishment of a new unit located in the Routledge area which would involve 21 of the company's wells. Upon the formation of this proposed unit, the company will have only 19 gross wells which are not unitized, the result being a decrease in operating costs for this area.

HUDSON BAY

The company now has a 10% interest in 10,253,961 acres in the Hudson Bay-James Bay area, located both off-shore and on-shore. An extensive geophysical program has been carried out by the group which is headed by Aquitaine Company of Canada Ltd. as operator. In addition, an extensive surface geological study has been carried out. Due to the results obtained from the exploration activity during the past year a total of 3,778,961 additional acres were acquired in the area.

The Hudson Bay area generally has been the focal point of an extensive land play during the past year and this has resulted in practically all of the potential off-shore and on-shore areas being taken up by various companies. It is reported that Aquitaine Company of Canada Ltd. will be carrying out an off-shore drilling program during the summer of 1969.

CAN-FER SYNDICATE

During 1968 Bralorne Oil & Gas participated in the Can-Fer Exploration Syndicate with Can-Fer Mines Limited, Pacific Petroleums Ltd. and Bralorne Pioneer Mines Limited in mineral exploration projects in Canada. In British Columbia a copper discovery was explored by the Syndicate, participating with another company; work will continue in 1969 and the program will include diamond drilling. The Syndicate staked a uranium find late last season and this prospect will also be followed up in 1969. Other continuing projects of the Syndicate include in Northern Ontario the examination of molybdenum and sulphide showings, and claims in a region where a silver-lead-zinc find was made by others. The Syndicate plans to conduct in 1969 an initial program on a permit obtained some distance southwest of Wollaston Lake in northern Saskatchewan, centre of considerable uranium interest.

# Bralorne Oil & Gas Limited and subsidiary company

## Consolidated Balance Sheet as at December 31, 1968

(with comparative figures for 1967)

## Assets

| | 1968 | 1967 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and time deposits | $ 411,916 | $ 4,052 |
| Short term investments, at cost (market value $11,700) | 15,121 | 575,436 |
| Accounts receivable | 80,314 | 84,821 |
| Inventory of stores and supplies, at the lower of cost or estimated realizable value | 25,091 | 16,942 |
| Refundable deposits and prepaid items | 14,747 | 38,821 |
| | 547,189 | 720,072 |
| 5% REFUNDABLE TAX | 1,944 | 7,150 |
| CAPITAL ASSETS, at cost: (Note 1) | | |
| Petroleum and natural gas interests, less accumulated depletion of $951,162 ($827,537 in 1967) | 1,829,495 | 1,734,920 |
| Production and other equipment, less accumulated depreciation of $301,252 ($268,115 in 1967) | 400,744 | 416,633 |
| | 2,230,239 | 2,151,553 |
| INCORPORATION AND STOCK ISSUE COSTS | 25,810 | 25,810 |
| | $2,805,182 | $2,904,585 |

# Liabilities

| | 1968 | 1967 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 103,710 | $ 168,519 |
| DEFERRED INCOME: | | |
| Deferred gas sales | 19,468 | — |
| SHAREHOLDERS' EQUITY: | | |
| Share capital: (Note 2) | | |
| Authorized— | | |
| 5,000,000 shares without nominal or par value issuable for an aggregate consideration not to exceed $5,000,000 | | |
| Issued— | | |
| 2,500,000 shares | 2,562,551 | 2,562,551 |
| Retained earnings, per statement attached | 119,453 | 173,515 |
| | 2,682,004 | 2,736,066 |
| | $2,805,182 | $2,904,585 |

SIGNED ON BEHALF OF THE BOARD:

G. H. Davenport, *Director*

H. Dernick, *Director*

## Auditors' Report

To the Shareholders of Bralorne Oil & Gas Limited:

We have examined the consolidated balance sheet of Bralorne Oil & Gas Limited and its subsidiary company as at December 31, 1968 and the consolidated statements of income and retained earnings and source and disposition of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and disposition of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
March 17, 1969.

PRICE WATERHOUSE & CO.
*Chartered Accountants.*

# Consolidated Statement of Income and Retained Earnings

## For the Year Ended December 31, 1968

(with comparative figures for 1967)

| | 1968 | 1967 |
|---|---|---|
| Oil and gas sales revenues | $ 540,990 | $ 523,487 |
| Production expenses | 211,728 | 198,208 |
| Administrative and general expenses | 153,165 | 136,691 |
| | 364,893 | 334,899 |
| | 176,097 | 188,588 |
| Income from investments and deposits | 36,055 | 17,991 |
| Income before the undernoted items | 212,152 | 206,579 |
| Depletion (Note 1) | 188,386 | 183,948 |
| Depreciation | 41,741 | 47,108 |
| Mining exploration costs | 36,087 | — |
| | 266,214 | 231,056 |
| Loss for the year (Note 3) | (54,062) | (24,477) |
| Retained earnings at beginning of year | 173,515 | 197,992 |
| Retained earnings at end of year | $ 119,453 | $ 173,515 |

# Consolidated Statement of Source and Disposition of Working Capital

For the Year Ended December 31, 1968
(with comparative figures for 1967)

| | 1968 | 1967 |
|---|---|---|
| **Source of working capital:** | | |
| Loss for the year | $ (54,062) | $ (24,477) |
| Add back provisions for depletion and depreciation which do not involve a current outlay of working capital | 230,127 | 231,056 |
| | 176,065 | 206,579 |
| Repayment of 5% refundable tax | 5,206 | — |
| Deferred gas sales | 19,468 | — |
| Costs recovered on equalization of investment in oil and gas unit | 60,098 | — |
| Issue of 1,999,995 shares of the former Bralorne Pioneer Petroleums Limited (an amalgamating company) in consideration for assets acquired from Bralorne Pioneer Mines Limited given an assigned value of $1,937,546, less $1,246,123 being the portion applicable to acquisition of shares of other predecessor companies | — | 691,423 |
| Sale of 500,000 treasury shares | — | 625,000 |
| | 260,837 | 1,523,002 |
| **Disposition of working capital:** | | |
| Petroleum and natural gas interests— | | |
| Acquisition and retention of properties | 63,834 | 508,934 |
| Exploration and development | 267,821 | 178,361 |
| Production and other equipment | 37,256 | 179,340 |
| Retirement of advances from Bralorne Pioneer Mines Limited | — | 255,000 |
| Financing costs | — | 21,510 |
| Payment of 5% refundable tax | — | 1,950 |
| | 368,911 | 1,145,095 |
| Increase (decrease) in working capital | (108,074) | 377,907 |
| Working capital at beginning of year | 551,553 | 173,646 |
| Working capital at end of year | $ 443,479 | $ 551,553 |

# Notes to Financial Statements

December 31, 1968

1. ACCOUNTING PRACTICES:

The companies follow the full cost method of accounting whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized, whether productive or unproductive, and proceeds on disposal of properties are ordinarily deducted from costs without recognition of profit or loss. Depletion of oil and gas properties is computed on the total of all such costs by the unit of production method based on overall company estimates of proven reserves of oil and gas. Depreciation of production equipment is also computed by the unit of production method based on overall reserves.

2. SHARE CAPITAL:

100,000 shares of the Company have been reserved for incentive options which may be granted from time to time to officers and employees.

3. INCOME TAXES:

For income tax purposes the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which may exceed the related depletion and depreciation provisions reflected in their accounts; for 1968 the companies do not intend to claim capital cost allowances in excess of recorded depreciation. At December 31, 1968 unclaimed drilling, exploration and lease acquisition costs of $750,000 and undepreciated capital costs of $200,000 remain to be carried forward and applied against future taxable income.

The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originate in financial years commencing on or after January 1, 1968. However, with respect to drilling, exploration and lease acquisitions costs, the recommendation is questioned by the petroleum industry and this treatment has therefore not been applied to such differences in the timing of deductions for tax and accounting purposes. This view conforms with general practice in the oil and gas industry and is accepted by accounting authorities outside Canada.

If the tax allocation basis had been followed for all timing differences between taxable income and reported income or losses the loss for the year would have been reduced by $5,677 ($3,536 in 1967) as a result of deferred tax credits to income. The accumulated income tax reductions to December 31, 1968 approximate $80,000.

4. STATUTORY INFORMATION:

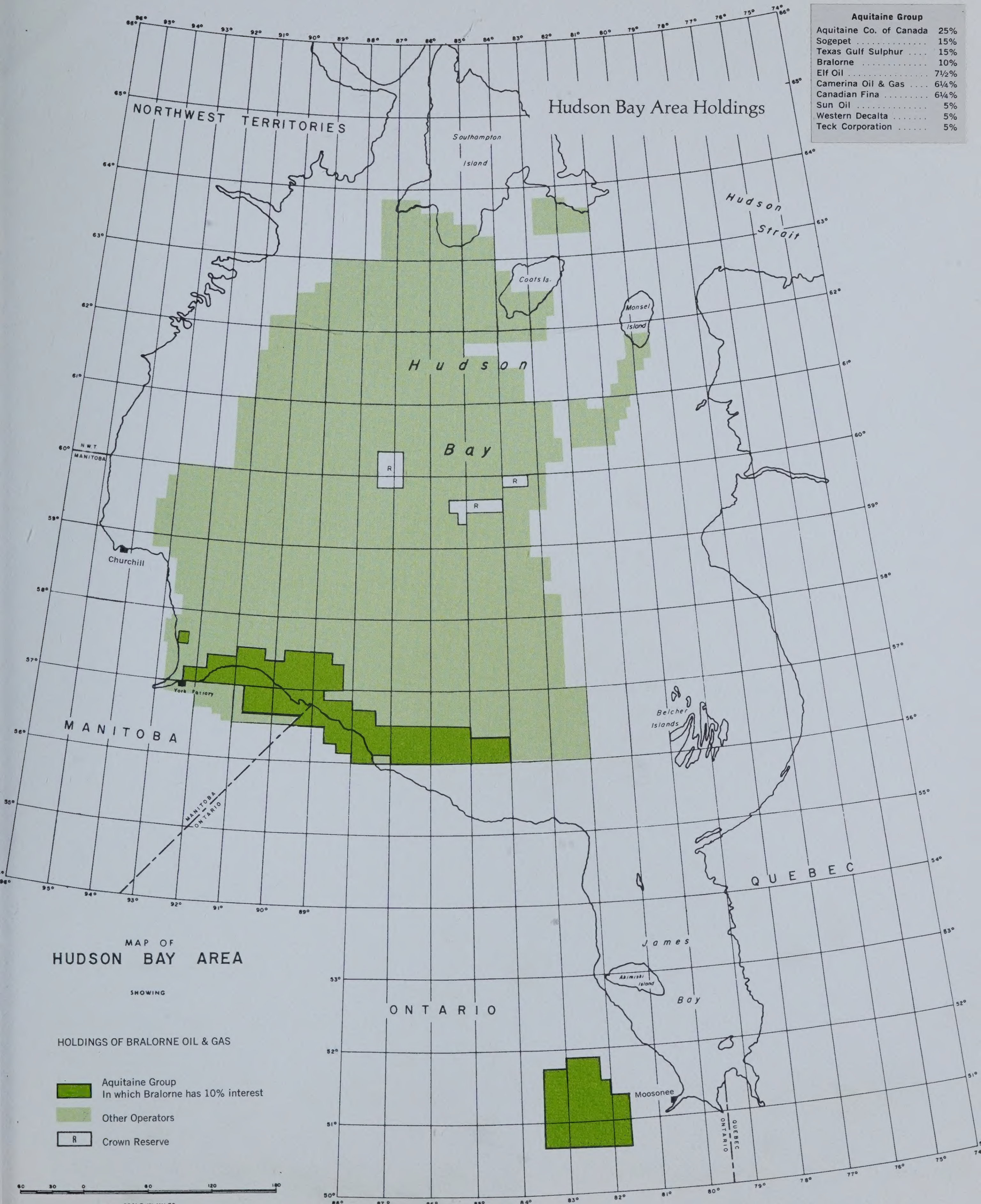
The total remuneration received from the Company and its subsidiary by the five highest paid employees of the Company, including one person receiving remuneration as a director or officer of the Company, amounted to $74,680.

## Land Holdings as of December 31, 1968.

| | Permits & Reservations | | Leaseholds | | Total | |
|---|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Gross | Net |
| Alberta . . . . . . . . . . . | — | — | 225,219 | 13,126 | 225,219 | 13,126 |
| Saskatchewan . . . . . . | 21,821 | 4,815 | 11,419 | 2,798 | 33,240 | 7,613 |
| Manitoba . . . . . . . . . | 22,160 | 16,960 | 49,040 | 33,923 | 71,200 | 50,883 |
| Hudson Bay Area . . . | 10,253,961 | 1,025,396 | — | — | 10,253,961 | 1,025,396 |
| | 10,297,942 | 1,047,171 | 285,678 | 49,847 | 10,583,620 | 1,097,018 |

# Hudson Bay Area Holdings

| Aquitaine Group | |
|---|---|
| Aquitaine Co. of Canada | 25% |
| Sogepet | 15% |
| Texas Gulf Sulphur | 15% |
| Bralorne | 10% |
| Elf Oil | 7½% |
| Camerina Oil & Gas | 6¼% |
| Canadian Fina | 6¼% |
| Sun Oil | 5% |
| Western Decalta | 5% |
| Teck Corporation | 5% |



Bralorne Oil and Gas Limited

Annual Report 1968